

Minutes of the Advisory Board to the Comptroller

Meeting Date: Thursday, July 11, 2024
Time: 10:30 a.m.
Location: Virtually via ZOOM, consistent with Section 40 of Chapter 2 of the Acts of 2023.

MEMBERS AND OTHER ATTENDEES

Members Present

Matthew Gorzkowicz (Chair), Secretary for Administration and Finance
Thomas G. Ambrosino, Court Administrator of Massachusetts Trial Court
Meredith Barrieau (Designee), First Deputy State Auditor, Office of the State Auditor
Kathleen McNamara (Designee), Internal Auditor, Office of the State Treasurer

Members Absent

Natalie Monroe (Gubernatorial Appointment), Chief Magistrate, Massachusetts Division of Administrative Law Appeals
M. Patrick Moore, Jr. (Designee), First Assistant Attorney General, Office of the Attorney General
Michael Esmond (Gubernatorial Appointment), Director of Municipal Finance, Town of Braintree

Office of the Comptroller Attendees

Tamia Buckingham, Deputy Financial Reporting Officer
David Godin, Single and Internal Audit Lead
Kristin Lacroix, Chief Accounting Officer
Nana Law, Statewide Financial Reporting Auditor
Pauline Lieu, Chief Financial Reporting Officer
Rosemary Navarro, Executive Assistant to the Comptroller
William McNamara, Comptroller
Amy Nable, Assistant Comptroller and General Counsel
Rosemary Navarro, Executive Assistant to the Comptroller
Darian Roberts, Assistant General Counsel / Records Access Officer
Michael Sangalang, Communications Manager
Peter Scavotto, Assistant Comptroller for Risk
Thomas Smith-Vaughn, Chief Operating Officer
Andrea Wadsworth, Chief Financial Officer

Clifton Larson Allen (CLA) Attendees

Chris Rogers, Managing Principal of Industry, State and Local Government

Shana Doiron, Director

Jim Piotrowski, Principal, State and Local Government

AGENDA

1. CALL TO ORDER

1.1 Recording Announcement by the Chair

The Chair announced that, pursuant to the Commonwealth's Open Meeting Law, Massachusetts General Laws, Chapter 30A, Section 20, any person may make a video or audio recording of this open meeting.

The Chair noted that the Office of the Comptroller ("CTR") was recording for the purpose of keeping the minutes and asked anyone else making a recording to please identify themselves. Colin Young from the State House News Service stated that he was recording the meeting as well.

1.2 Statement on Remote Participation

The Chair announced that on March 29, 2023, Governor Healey signed into law a supplemental budget bill which, among other things, extends certain temporary provisions pertaining to the Open Meeting Law until March 31, 2025. Specifically, this further extension allows public bodies to continue holding meetings remotely without a quorum of the public body physically present at a meeting location, and to provide "adequate, alternative" access to remote meetings. In accordance with that law, all members of the Advisory Board and members of the public are participating remotely in today's meeting.

Because members of the Board are participating remotely, all votes will be taken by roll call.

2. REVIEW AND APPROVAL OF MAY 31, 2024, ADVISORY BOARD MEETING MINUTES

On a motion by Mr. Ambrosino, seconded by the Chair, the Board approved by roll call vote the May 31, 2024, Advisory Board meeting minutes.

- Secretary Gorzkowicz – Yes
- Meredith Barrieau – Yes
- Thomas Ambrosino – Yes
- Kathleen McNamara – Yes

3. REMARKS FROM THE CHAIR OF THE ADVISORY BOARD

The Chair welcomed participants and observers to the meeting. He stated that the purpose of this meeting is to review the Statewide Single Audit. The Single Audit is the final step in the Commonwealth’s audit process for Fiscal Year 2023. It includes financial statements and the expenditures of federal awards by all state agencies. The Single Audit also reviews internal controls and compliance over financial reporting and federal programs. It is conducted by the Commonwealth’s external audit firm, CliftonLarsonAllen (“CLA”). The Chair then turned the presentation over to the Comptroller.

4. COMPTROLLER’S UPDATE & REVIEW OF THE SINGLE AUDIT PROCESS

The Comptroller first introduced Assistant Comptroller for Risk Peter Scavotto, who said he would present later in the meeting about the Single Audit. He next provided an update about the Office of the Comptroller and the BEST project. CTR senior management had no turnover in FY24, and added a new CFO, Andrea Wadsworth. Thomas Smith-Vaughn was promoted from the CFO position to COO. The next level of leadership experienced modest turnover due to retirements and departures. For positions at all levels, CTR has attracted high-quality backfills with a strong mix of promotions, transfers, and new hires from within state service and externally. Operationally, CTR is moving to a “hoteling” model, versus assigned workspaces for all employees.

Phase 1 of the BEST project, focused on replacing the state financial system MMARS, is in progress toward a July 1, 2025 “go-live” date. Phase 2, focused on payroll and human capital, is in the procurement phase and the RFR went live on July 10, 2024. The sponsors overseeing this statewide effort are the Comptroller, Secretary Gorzkowicz, and Secretary Snyder of the Executive Office of Technology Services and Security.

The Comptroller provided background on three major state financial reports and gave a summary about the Single Audit. CTR is responsible for facilitating the Single Audit, which is a step in a series of federal requirements. The audit itself is conducted by the Commonwealth's independent audit firm, CLA.

The Comptroller then turned the presentation over to CTR Assistant Comptroller for Risk Peter Scavotto. Mr. Scavotto clarified that there are three components to the Single Audit: an IT piece, a financial reporting piece, and a federal awards piece. He provided a quick process overview of the Single Audit from the Commonwealth's perspective:

1. CTR submits the Schedule of Expenditures of Federal Awards ("SEFA").
 - a. This is a detailed listing of expenditures according to federal department coding.
2. CLA selects programs for audit.
3. CLA conducts the audit process directly with the department (with CTR facilitation).
4. CLA engages the Commonwealth in a findings/response cycle, corrective action plans, and reporting.
5. CLA and CTR collaborate in the federal submission process.
6. Departments implement corrective action plans to achieve improvement before the next cycle.
7. The cycle begins again.

Mr. Scavotto turned the presentation back to the Comptroller to discuss the FY23 Single Audit by the numbers. The total number of findings increased from 19 in FY22 to 35 in FY23. There were 12 material weaknesses and 23 significant deficiencies. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Commonwealth's annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the Commonwealth's financial reporting. Nine total findings

from FY22 were resolved, with ten unresolved. Twenty-five new findings from FY23 were added to the 10 unresolved from FY22, for a total of 35.

The Comptroller then turned the presentation over to CLA Principal Jim Piotrowski for CLA's report to the board.

5. CLIFTONLARSONALLEN (CLA) REPORT ON THE SINGLE AUDIT

Mr. Piotrowski discussed CLA's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an audit of financial statements performed in accordance with Government Auditing Standards. There were two major material weaknesses: finding 2023-001, Accounting and Financial Reporting Unemployment Compensation Trust Fund; and finding 2023-002, Accounting and Financial Reporting Special Contribution Unemployment Compensation Trust Fund. CLA provided recommendations that these issues be addressed and that the departments develop documented policies and procedures to address the issues ensure that these instances do not occur moving forward.

Mr. Piotrowski provided background on uniform guidance of the Single Audit Report. CLA must:

- Report on compliance for each major federal program.
- Report on internal control over compliance.
- Report on the Schedule of Expenditures of Federal Awards required by the Uniform Guidance.
- Notes to Schedule of Expenditures of Federal Awards.
- Schedule of Findings and Questioned Costs.

Mr. Piotrowski turned the presentation over to the CLA Single Audit Director Shana Doiron. Ms. Doiron provided a list of the major programs audited for FY23. She then provided a summary of CLA's findings. Ten programs received a qualified opinion: Child and Adult Care Food Program; Employment Service Cluster; WIOA Cluster; Emergency Rental Assistance; Aging Cluster; Immunization Cooperative Agreements; Low-Income Home Energy Assistance (twice); Medicaid Cluster; and Opioid STR. All other major federal programs received unmodified opinions. Eight audited programs did not have any findings.

Ms. Doiron then discussed CLA's final steps for wrapping up the Single Audit report. CLA is in the process of getting management representation letters from departments that they audited. Once that is complete, they can issue the final report. After the final report is issued, they can submit the data collection form. Mr. Piotrowski provided final comments from CLA. He added to the list of final steps a quality control engagement with an independent reviewer who will review the overall audit product. It should be completed sometime in the next few days. He then turned the presentation back over to the Comptroller.

The Comptroller asked if any board members have questions regarding the presentation so far. Ms. Barrieau asked if there are any concerning items that the Auditor's office should consider as they begin their 62F review? The Comptroller said that there is nothing in these audit items or in the normal course of business that should be concerning for the 62F review process. Mr. Ambrosino asked for perspective from the Comptroller and/or CLA on whether 35 items is a good number or concerning for a state the size of Massachusetts? The Comptroller said that he researched this issue recently and found figures in other states with findings anywhere from about 18 to the 40s. He does not believe that Massachusetts is an outlier in any negative sense with 35 findings, although we will want to work over the next year to bring the number down. Mr. Piotrowski said that he concurred with the Comptroller's statement. Mr. Rogers also concurred with the Comptroller that Massachusetts is not an outlier and is a well-managed entity, and that most states have issues that come up on the Single Audit due to the number of requirements involved. He expects the numbers to come down over the next couple of years. The Chair said that it is important to note that many items are carried over from the past year and that many departments are already started carrying out actions plans to address findings after their consultations with CLA earlier in the process. Some items may already be resolved but it will not be reflected until the next Single Audit.

6. OFFICE OF THE COMPTROLLER SINGLE AUDIT FOLLOW-UP PLAN

The Comptroller provided CTR's follow-up plan regarding the Single Audit findings. He said that through the interactive process and corrective actions, departments are set up to succeed in resolving issues. Ongoing support from CTR is on offer. For FY23 and beyond, additional steps and supports will be offered:

- CTR communication to responsible agency and cabinet-level management.
- Quarterly check-ins with departments.
- Potential to offer external professional resources.

The objective for everyone involved is to return to a positive trend in total findings, with emphasis on resolving material weaknesses. New FY23 findings occurred in departments with excellent track records and leadership. CTR expects that department management will focus strongly on resolution. The Comptroller asked if the board members had any questions regarding CTR's follow up plan or big picture questions about the Single Audit. None were raised. The Comptroller turned the presentation over to the Chair.

7. ITEMS NOT REASONABLY ANTICIPATED BY THE CHAIR

The Chair asked if there were any other items not reasonably anticipated by the Board to be discussed. None were raised.

8. TIMING OUTLOOK FOR NEXT MEETING

The Chair asked the Comptroller about timing for the next meeting. The Comptroller stated that the board should plan a meeting in September not related to any financial reports, but rather about the FY24 close and timing updates regarding the three major financial reports, as well as a more extensive update about the BEST project. The Chair agreed with this plan.

9. MEETING ADJOURNMENT

The Chair adjourned the meeting.